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SUBJECT: THE DOLLAR MARKET IN SULAIMANIYAH, IRAQI KURDISTAN

This is a Kurdistan Regional Reconstruction Team (RRT) cable.

¶1. (SBU) SUMMARY. The Chairman of the Chamber of Commerce of Sulaimaniyah Province, Iraqi Kurdistan said the unofficial dollar market operates there in response to the lack of basic banking services and products of the local banks. The dollar market operates without official controls which lends itself to the possibility of money laundering. END SUMMARY.

¶2. (SBU) RRT Off met with the Chairman of the Sulaimaniyah Provincial Chamber of Commerce at his office in Sulaimaniyah on March 28. Hassan Baqi Hawrami said the dollar market in Sulaimaniyah is comprised of independent businessmen who are not linked in an institutional sense; however, they coordinate at times to carry out large financial transactions. These 60 to 70 individuals, he mentioned, work in downtown Sulaimaniyah city in the small offices of a two-story building. Hawrami stated they are linked to hundreds of others in neighboring Jordan, United Arab Emirates, Turkey and Iran. Customers are in contact with the agents of the dollar market via telephone, he added.

¶3. (SBU) The Chairman told RRT Off that the dollar market agents have bank accounts in Iran or Turkey and require a two to three and one half percent commission per transaction; the commission varies according to the transaction amount. He emphasized that transactions are carried out at the risk of the customer.

¶4. (SBU) Hassan Hawrami told RRT Off the flow of dollars and products goes smoothly in both directions between Iraqi Kurdistan and Iran as well as between Iraqi Kurdistan and Turkey. Transactions occur through debit and credit of bank accounts of the agents or cash crossing the border. There are times when customers have given their dollars to an agent and never see it again. No insurance exist or legal recourse for a failed transaction.

¶5. (SBU) The dollar market began 1991 but has become stronger in the last eight years, Hawrami said. He estimated a ten million dollar daily turnover in the market. He noted that it appears the number of transactions recently decreased since the USG and the Central Bank of Iraq supported a strong dinar. Hawrami added that locals are taking their dollars out of the country at an estimated rate of two billion dollars per annum.

¶6. (SBU) COMMENT: The dollar market in Iraqi Kurdistan formed and operates partially in response to the inability of provincial banks to lend funds and attract deposits. It also reflects the absence of a regulatory environment for private sector development. The informal dollar market presents a situation ripe for money laundering because there are no official controls.